TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 668 - HB 1387

March 23, 2017

SUMMARY OF BILL: Enacts the *Save Tennessee Call Center Jobs Act* which requires employers, intending to relocate a call center from Tennessee to a foreign country, to notify the Commissioner of the Department of Labor and Workforce Development (DLWD) at least 120 days prior to any such relocation. A violation is subject to a civil penalty up to $10,000 per day for noncompliance.

Prohibits employers in violation from receiving state grants, guaranteed loans, tax benefits, tax credits, or any other benefit derived from state funds for a period of two years. Prohibits employers in violation from any sales and use tax exemption authorized under Tenn. Code Ann. § 67-6-356.

Requires state agencies to require that all state-business-related call centers and customer service work be performed entirely within Tennessee. State contractors, or their agents or subcontractors, who currently perform call center and customer service work outside of Tennessee have until July 1, 2017, to comply before the agency may elect to non-renew or cancel a contract based on noncompliance with this section.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds $1,000,000

Other Fiscal Impact – Secondary economic impacts may occur as a result of this legislation. Any such secondary economic impacts that occur over extended periods of time may justify any additional expenses incurred by the state. However, due to multiple unknown factors, the net overall impact to the state over extended periods of time cannot be quantified with reasonable certainty.

Assumptions:

- The Department of Human Resources (DOHR) reports the provisions of the legislation would apply to DOHR as an employer; however, it would have no impact on departmental operations because the DOHR call center does not have 50 employees required by this legislation.
- It is reasonably assumed that DLWD can accomplish the provisions of the legislation within existing resources without an additional appropriation or a reduced reversion.

- According to DLWD, the provisions of this legislation fall under the Federal Worker Adjustment and Retraining Notification Act (WARN) currently codified in Tenn. Code Ann. § 50-1-602. As a result, any increase in civil penalty revenue as a direct result of this legislation is considered not significant.
- It is reasonably assumed that any call center businesses relocating outside the state will lose state grants, guaranteed loans, tax benefits, or tax credits related to the respective call centers; as a result, the state would realize decreased expenditures. However, it is assumed any decreased state expenditures would be occurring because the business is relocating out of state under current law; not as a result of this legislation. Therefore, any decrease in state expenditures attributable to this legislation is estimated to be not significant.
- According to the Department of Finance and Administration (F&A), the Department contracts with at least one vendor, that operates call centers outside of Tennessee. The provisions of the legislation will require state contract vendors to expand operations in Tennessee significantly in order for all state work to be performed entirely in Tennessee.
- The Department reports the vendor estimates a minimum cost of $1,817,666 to relocate to Tennessee. It is expected the vendor will pass any relocating costs onto the state that the business incurs as a result of this legislation.
- F&A reports that the provisions of this legislation indicate a number of services needed by the state that could face reduced competition because of the proposed call center requirements.
- The Bureau of TennCare reports a significant increase in contract related expenditures would be incurred as a result of requiring call centers to be located in Tennessee.
- State expenditures for state call center contracts will increase whether it is due to current vendors passing along relocation costs to the state or from the state cancelling a contract and contracting with a call center that satisfies the requirements of the legislation, but also as a result of reduced competition and higher contract prices.
- The recurring increase in state expenditures is estimated reasonably to exceed $1,000,000.
- There could be subsequent impacts on state and local government revenue and expenditures as a result of secondary economic impacts prompted by the passage of this legislation. Due to multiple unknown factors, the fiscal impacts attributable to such secondary impacts cannot be quantified with reasonable certainty.

IMPACT TO COMMERCE:

Increase Business Revenue – Exceeds $1,000,000

Increase Business Expenditures – Exceeds $1,000,000

Jobs Impact – Positive but the extent of any new job creation in Tennessee is unknown.

Assumptions:

- Given that state contract vendors will have to expand operations in Tennessee for meeting the provisions of this legislation, it is anticipated that such vendors will recognize both a recurring increase in business expenditures due to costs associated with relocation, and a recurring increase in business revenue as such relocation costs are passed onto to the state in contracting costs and in conducting additional business within the state. Both recurring business revenue and recurring business expenditures are anticipated to exceed $1,000,000.
- Given that certain vendors will be required to expand operations in the state for meeting the provisions of this legislation, the number of Tennessee jobs is expected to increase. However, a specific number cannot be determined for such impact is dependent upon several unknown factors.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

/dwl